

COMPANIES HOUSE
28 JAN 2021
EDINBURGH MAILBOX

COMPANY REGISTRATION NUMBER SC028860

McGOWAN AND COMPANY (CONTRACTORS) LIMITED



ANNUAL REPORT AND STATEMENT OF ACCOUNTS TO 31st JULY 2020

OFFICERS AND PROFESSIONAL ADVISORS

DIRECTORS

JOHN R SMART
DAVID W SMART

COMPANY SECRETARY

PATRICIA SWEENEY

REGISTERED OFFICE

28 CRAMOND ROAD SOUTH
EDINBURGH
EH4 6AB

BANKERS

BANK OF SCOTLAND
75 GEORGE STREET
EDINBURGH
EH2 3EW

AUDITOR

FRENCH DUNCAN LLP
CHARTERED ACCOUNTANTS
133 FINNIESTON STREET
GLASGOW
G3 8HB

SOLICITORS

ANDERSON STRATHERN LLP
1 RUTLAND COURT
EDINBURGH
EH3 8EY

The Directors present their Annual Report and Statement of Accounts of the Company for the year ended 31st July 2020.

STRATEGIC REPORT

The Directors have prepared a Strategic Report which presents a fair review of the business during the year to 31st July 2020 and of the position of the Company at the end of the financial year. The Strategic Report also includes a description of the principal risks and uncertainties faced by the Company. The Strategic Report can be found on pages 4 to 6 and is incorporated into the Report of the Directors by reference.

RESULTS AND DIVIDENDS

The loss of the Company for the year after tax amounted to £196,110 (2019, £141,756).

The Directors paid no dividends in the year and are not proposing a final dividend.

DIRECTORS AND THEIR INTERESTS

The Directors who served the Company during the year were as follows:

John R Smart
David W Smart

The Company is a wholly owned subsidiary and the interest of the Directors in the shares of the Parent Company is disclosed in the financial statements of the Parent Company.

GOING CONCERN

The Company's business activities, performance and principal risks and uncertainties are set out in the Strategic Report.

The Company's activities for the current financial year were impacted by the coronavirus pandemic which resulted in the closure of our sites from end of March 2020 to the middle of June 2020 which delayed the completion of contracts. The Directors believe that the Company is well placed to manage its business risks successfully including those arising from the coronavirus pandemic. After making enquiries, the Directors have a reasonable expectation that the Company has adequate financial resources to allow the Company to continue in operational existence for a period of at least twelve months from the date of approval of the financial statements and therefore considers the adoption of the going concern basis as appropriate for the preparation of the Annual Report and Statement of Accounts.

FUTURE DEVELOPMENTS

It is not anticipated that the activities of the Company, as described in the Strategic Report, will substantially change in the immediate future.

EVENTS AFTER THE REPORTING PERIOD

There have been no events occurring after the Balance Sheet date that the Directors consider should be brought to the attention of the shareholder apart from the ongoing impact of the coronavirus pandemic.

POLITICAL DONATIONS AND POLITICAL EXPENDITURE

It is the policy of the Company not to make donations for political purposes to EU Political Parties or incur EU Political Expenditure and accordingly the Company made no donations or incurred no such expenditure in the year.

AUDITOR

The Company's auditor, French Duncan LLP, is retiring as the Company's auditor due to mandatory rotation of auditor of the parent company, J Smart and Co (Contractors) PLC under the Companies Act 2006. An audit tendering process was undertaken and as a result BDO LLP was selected as the Group's new external auditor and a resolution to appoint them as the external auditor will be proposed at the Company's forthcoming Annual General Meeting. A resolution to authorise the Directors to determine their remuneration will also be proposed at this meeting.

STATEMENT OF DISCLOSURE TO AUDITOR

In the case of the Directors who were Directors at the date this Report was approved:

- so far as the Directors are aware, there is no relevant audit information (as defined in the Companies Act 2006) of which the Company's auditor is unaware, and
- the Directors have taken all steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

APPROVED BY THE BOARD OF DIRECTORS



PATRICIA SWEENEY
Company Secretary

22nd December 2020

The Directors present their Strategic Report of the Company for the year ended 31st July 2020.

The purpose of the Strategic Report is to provide the member of the Company with information to allow the assessment of how the Directors have performed their duty to promote the success of the Company.

OUR BUSINESS MODEL, STRATEGY AND OBJECTIVES

The Company was incorporated in 1952.

The Company's principal activity is to provide plumbing services to its Parent Company, J Smart & Co (Contractors) PLC.

The Company is a wholly owned subsidiary of J Smart & Co (Contractors) PLC, a construction company based in Edinburgh.

Our objectives are to provide the best plumbing support to J Smart & Co (Contractors) PLC to assist that Company in exploiting promising business opportunities as they arise to the benefit of both Companies, their shareholders and employees without over extending Company and Group resources. While endeavouring to do this we do not set ourselves general performance yardsticks or volumetric targets.

We maintain a core employee base which is beneficial to the growth and success of the Company due to the fact that they have the expertise to ensure work is efficiently run, achieve high level of work quality and retain control over operations.

To achieve these objectives our strategy is to continue to retain our core workforce to ensure work quality. We will build up our resources to ensure the Company has sufficient current working capital facilities and financing for future activities.

In achieving our objectives we aim to generate value by creating long-term and sustainable returns for our shareholder by growing our income, returning the company to profitability and thereby increasing the net assets of the Company.

PERFORMANCE REVIEW

	2020	2019
	£	£
Revenue	481,469	546,410
Loss before tax	(242,814)	(174,598)
Net bank position	(35,324)	307,434
Net assets	118,898	315,008

The Company's revenue is dependent entirely on work obtained from its Parent Company. Given the level of construction activity of J Smart & Co (Contractors) PLC and the nature of the work being undertaken by the Parent Company, revenue decreased in the year. All construction sites were closed during the lockdown arising from coronavirus from end of March 2020 until the middle of June 2020 which together with additional costs to implement safety measures for the safe working of sites post lockdown based on Scottish Government guidance and payroll costs of employees not put on furlough has resulted in the increased cost of sales in the year. The decreased revenue and increased costs has resulted in the increased loss suffered in the year.

The loss suffered by the Company, has been reflected in the decrease in the bank position and therefore reflected in the decrease in the net assets of the Company.

FINANCIAL INSTRUMENTS

The Company's financial instruments consist of bank balances and cash, trade and other receivables and trade and other payables. The main purpose of the financial instruments are to provide working capital for the Company's continuing activities and provide funding for future activities. Given the nature of the Company's financial instruments the main risk associated with these is credit risk, however this is minimised due to the fact exposure is with Group undertakings. The Company is not exposed to interest rate risk as it does not have any debt.

TOTAL DIVIDEND

The Directors paid no dividends in the year and are not proposing a final dividend.

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties faced by the Company and the mitigating factors taken by the Company against these risks are detailed below. The principal risks noted below are not all of the risks faced by the Company but are those risks which the Company perceives as those which could have a significant impact on the Company's performance and future prospects.

Area of principal risk or uncertainty and impact	Mitigating actions and controls
The sector in which our Parent Company and therefore this Company operates is highly competitive with tight margins.	<ul style="list-style-type: none">• Employ our own personnel who are supervised by site agents who are long serving employees of the Company, who have been promoted through their trade, thus ensuring control of labour costs on contracts.• In house technicians and surveyors provide pre-contract design advice to resolve potential technical problems with the build and therefore potential costs.
Political events and policies result in uncertainty until final decisions have been made and the impact of decisions are known, this could result in delays in investment decisions which could impact on our activities.	<ul style="list-style-type: none">• Before any decisions are taken by the Directors the level of uncertainty and range of potential outcomes arising from political events and policies are considered.
Continuing uncertainty of the impact of coronavirus on the Company's operational and financial performance.	<ul style="list-style-type: none">• Following all the legislation and guidance issued by the Scottish Government for the safe working of our construction sites and office.• Regularly reviewing cash flow projections.

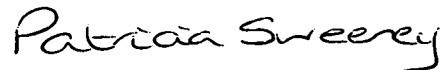
EMPLOYEES

The Company recognises the contribution of the staff to the success of the Company. The Company operates with a core employee base who in the main have been with the Company for a considerable length of time and have gained a significant knowledge of the sector within which the Company operates. The Company recognises the importance of retaining its core staff to ensure its future success.

The Company is committed to providing equal opportunities in recruitment and employment, full and fair consideration is given to all applicants for employment and to all existing employees for promotion. Where employees become disabled during their employment and are unable to fulfil current duties they are offered suitable alternative employment within the Company, if feasible.

It is the Company's policy that there should be effective communication with employees at all levels, on matters which affect their current jobs or future prospects and all Directors and senior staff members throughout the Group make themselves available to all staff to discuss any matters of concern. In achieving this policy, the Directors are aware of the need to take account of the practical and commercial considerations of the Company and the needs of the employees.

APPROVED BY THE BOARD OF DIRECTORS



PATRICIA SWEENEY
Company Secretary

22nd December 2020

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors are responsible for preparing the Annual Report and Statement of Accounts in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have prepared the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS as adopted by the EU) and applicable law.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of its profit or loss for that period. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether the financial statements have been prepared in accordance with IFRS as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records that are sufficient to show and explain the Company's transactions and which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Under applicable law and regulations the Directors are also responsible for preparing a Report of the Directors and a Strategic Report that complies with that law and those regulations.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors confirm to the best of their knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company;
- the Report of the Directors and Strategic Report include a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that they face; and
- the Annual Report and Statement of Accounts taken as a whole are fair, balanced and understandable and provide the information necessary for the shareholder to assess the Company's business model, performance and strategy.

APPROVED BY THE BOARD OF DIRECTORS

Patricia Sweeney

22nd December 2020

PATRICIA SWEENEY
Company Secretary

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF MCGOWAN AND COMPANY (CONTRACTORS) LIMITED

OPINION

We have audited the financial statements of McGowan and Company (Contractors) Limited for the year ended 31st July 2020 which comprise the Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Financial Position, Statement of Cash Flows and related notes to the accounts including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards as adopted by the European Union (IFRS as adopted by the EU).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31st July 2020 and of the loss for the year then ended;
- have been properly prepared in accordance with IFRS as adopted by the EU; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

CONCLUSIONS RELATING TO GOING CONCERN

We have nothing to report in respect of the following information in the Annual Report, in relation to which the ISAs (UK) require us to report to you whether we have anything material to add or draw attention to:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

OTHER INFORMATION

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report set out on pages 2 to 27 other than the financial statements and our Auditor's report thereon. Our opinion on the financial statements does not cover the information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Report of the Directors and the Strategic Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Report of the Directors and the Strategic Report have been prepared in accordance with applicable legal requirements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Report of the Directors or the Strategic Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

RESPONSIBILITIES OF DIRECTORS

As explained more fully in the Statement of Directors' Responsibilities on page 7, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

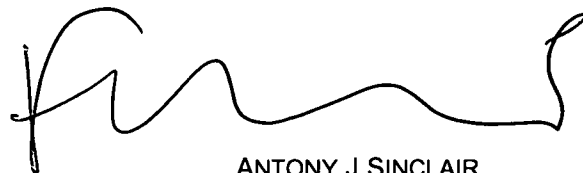
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located in the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditor's Report.

USE OF THIS REPORT

This report is made solely to the Company's shareholder, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's shareholder those matters we are required to state to them in an Auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholder as a body, for our audit work, for this report, or for the opinions we have formed.

133 FINNIESTON STREET,
GLASGOW, G3 8HB
22nd December 2020



ANTONY J SINCLAIR
Senior Statutory Auditor
for and on behalf of FRENCH DUNCAN LLP
Statutory Auditor and Chartered Accountants

McGowan and Company (Contractors) Limited

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31st July 2020

	Notes	2020 £	2019 £
REVENUE	2	481,469	546,410
Cost of sales		<u>(514,307)</u>	<u>(511,065)</u>
GROSS (LOSS)/PROFIT		(32,838)	35,345
Net operating expenses		<u>(209,976)</u>	<u>(209,943)</u>
LOSS BEFORE TAX	4	(242,814)	(174,598)
Taxation	5	46,704	32,842
LOSS ATTRIBUTABLE TO EQUITY SHAREHOLDER		<u>(196,110)</u>	<u>(141,756)</u>
TOTAL COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX		<u>(196,110)</u>	<u>(141,756)</u>

All activities in both the current and previous year relate to continuing operations.

McGowan and Company (Contractors) Limited

STATEMENT OF CHANGES IN EQUITY as at 31st July 2020

	Share Capital £	Retained Earnings £	Total £
At 1st August 2018	1,000	455,764	456,764
Loss for year	–	(141,756)	(141,756)
Total comprehensive loss for the year	<u>–</u>	<u>(141,756)</u>	<u>(141,756)</u>
At 31st July 2019	<u>1,000</u>	<u>314,008</u>	<u>315,008</u>
Loss for year	–	(196,110)	(196,110)
Total comprehensive loss for the year	<u>–</u>	<u>(196,110)</u>	<u>(196,110)</u>
At 31st July 2020	<u>1,000</u>	<u>117,898</u>	<u>118,898</u>

McGowan and Company (Contractors) Limited

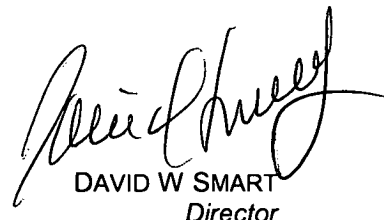
STATEMENT OF FINANCIAL POSITION as at 31st July 2020

	Notes	2020 £	2019 £
NON-CURRENT ASSETS			
Property, plant and equipment	6	12,614	18,921
Deferred tax asset	13	461	2,099
		<u>13,075</u>	<u>21,020</u>
CURRENT ASSETS			
Inventories	7	41,728	44,588
Contract assets	8	58,204	39,378
Trade and other receivables	9	95,023	24,166
Current tax asset		44,695	32,550
Cash and cash equivalents	10	34	307,434
		<u>239,684</u>	<u>448,116</u>
TOTAL ASSETS		<u>252,759</u>	<u>469,136</u>
CURRENT LIABILITIES			
Trade and other payables	11	98,503	154,128
Bank Overdraft		35,358	—
		<u>133,861</u>	<u>154,128</u>
TOTAL LIABILITIES		<u>133,861</u>	<u>154,128</u>
NET ASSETS		<u>118,898</u>	<u>315,008</u>
EQUITY			
Called up share capital	14	1,000	1,000
Retained earnings		117,898	314,008
TOTAL EQUITY		<u>118,898</u>	<u>315,008</u>

The financial statements on pages 11 to 27 were approved by the Board of Directors and authorised for issue on 22nd December 2020 and were signed on its behalf by:



JOHN R SMART
Director



DAVID W SMART
Director

Company Number SC028860

McGowan and Company (Contractors) Limited

STATEMENT OF CASH FLOWS
for the year ended 31st July 2020

	Notes	2020 £	2019 £
CASH FLOWS FROM OPERATING ACTIVITIES	15(a)	(378,955)	(69,119)
Tax received		36,197	32,855
NET CASH FLOWS FROM OPERATING ACTIVITIES		<u>(342,758)</u>	<u>(36,264)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		–	(21,352)
Sale of property, plant and equipment		–	2,052
NET CASH FLOWS FROM INVESTING ACTIVITIES		<u>–</u>	<u>(19,300)</u>
DECREASE IN CASH AND CASH EQUIVALENTS		<u>(342,758)</u>	<u>(55,564)</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	15(b)	<u>307,434</u>	<u>362,998</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	15(b)	<u>(35,324)</u>	<u>307,434</u>

1. ACCOUNTING POLICIES AND ESTIMATION TECHNIQUES

GENERAL INFORMATION

McGowan and Company (Contractors) Limited is a limited company registered in Scotland and incorporated in the United Kingdom.

STATEMENT OF COMPLIANCE

The accounts are prepared in accordance with International Financial Reporting Standards (IFRS) and International Financial Reporting Interpretations Committee (IFRIC) Interpretations endorsed by the European Union (EU) and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS EFFECTIVE IN THE YEAR TO 31ST JULY 2020

The following new standards and amendments to standards and interpretations relevant to the Company have been issued by the International Accounting Standards Board and are mandatory for the first time for the financial year to 31st July 2020:

- IFRS 16: Leases.
- IAS 12 (amended): Income Taxes.
- IAS 19 (amended): Employee Benefits.
- IFRIC 23: Uncertainty over Income Tax Treatments.

Neither the above standard, amendments to standards or the new interpretation had a significant impact on the Company's financial statements.

NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS NOT YET APPLIED

The following new standards, amendments to standards and interpretations relevant to the Company have been issued by the International Accounting Standards Board but are not yet effective for the Company at the date of these financial statements, and have not been adopted early:

- IAS 1 (amended): Presentation of Financial Statements (effective in the year ending 31st July 2023).
- IAS 37 (amended): Provisions, Contingent Liabilities and Contingent Assets (effective in the year ending 31st July 2022).

The Directors do not consider that the applications of these amendments to standards will have a material impact on the financial statements.

1. ACCOUNTING POLICIES AND ESTIMATION TECHNIQUES (continued)

BASIS OF PREPARATION

The accounts have been prepared under the historical cost convention.

The accounting policies set out below have been consistently applied to all periods presented in these accounts.

The preparation of financial statements requires management to make estimates and assumptions concerning the future that may affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Management believes that the estimates and assumptions used in the preparation of these accounts are reasonable. However, actual outcomes may differ from those anticipated.

GOING CONCERN

The financial statements have been prepared on a going concern basis. The Directors have reviewed their forecasts and cashflows taking into account current available information. They have considered future trading expectations and opportunities under various scenarios and in light of the ongoing coronavirus pandemic. Taking the above information into account the Directors are of the opinion that the Company has adequate financial resources to continue in operational existence for a period of at least twelve months from the date of approval of these financial statements and therefore considers the adoption of the going concern basis as appropriate for the preparation of these Accounts.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

LONG TERM CONTRACT PROVISIONS

Judgement is required in determining if provisions for losses are required on long term contracts. The Directors take into account the estimated costs to complete and the percentage stage of completion of current contracts when determining the provision for losses.

CAPITAL MANAGEMENT

Company objectives in managing capital are to safeguard the interests of the Company and to operate as a debt free going concern and of its employees to maintain wherever possible security of employment, remuneration and retirement provisions.

The capital structure of the Company consists of issued share capital and retained earnings, represented predominantly by cash.

The Company has sufficient readily realisable assets available to meet its foreseeable commitments.

PROPERTY, PLANT AND EQUIPMENT

Items of property, plant and equipment are stated at cost less accumulated depreciation.

Subsequent costs are included in the asset's carrying value or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of them can be measured reliably. All other repair and maintenance expenditure is charged to the Statement of Comprehensive Income as incurred.

1. ACCOUNTING POLICIES AND ESTIMATION TECHNIQUES (continued)

DEPRECIATION

Depreciation is provided on all items of plant and equipment at rates calculated to write off the cost of each asset over its expected useful life, as follows:

Plant and machinery	- 25% reducing balance
Motor vehicles	- 33 1/3% reducing balance

IMPAIRMENT REVIEWS

PROPERTY, PLANT AND EQUIPMENT

Individual assets are grouped for impairment assessment purposes at the lowest level at which there are identifiable cash inflows independent of the cash inflows of other groups of assets.

The Company assesses at each Balance Sheet date whether there is an indication that an asset may be impaired. If an indication exists the Company makes an estimate of the recoverable amount of each asset group, being the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. An impairment loss is recognised where the recoverable amount is lower than the carrying value of assets.

If there is an indication that previously recognised impairment losses may have decreased or no longer exist, a reversal of the loss may be made. The carrying amount of the asset is increased to its recoverable amount only up to the carrying amount that would have resulted, net of depreciation, had no impairment loss been recognised for the asset in prior years.

Impairment losses and any subsequent reversals are recognised in the Statement of Comprehensive Income.

INVENTORIES AND WORK IN PROGRESS

Inventories are valued at the lower of cost and net realisable value. Where necessary, provision is made to reduce cost to no more than net realisable value after having regard to the nature, condition and sales value of inventory.

Work in progress is valued at the lower of cost and net realisable value.

Cost includes materials, on a first-in first-out basis and direct labour plus attributable overheads based on normal operating activity, where applicable. Net realisable value is the estimated selling price less anticipated selling costs.

Variations and claims are included in Revenue where it is probable that the amount, which can be measured reliably, will be recovered from the customer.

1. ACCOUNTING POLICIES AND ESTIMATION TECHNIQUES (continued)

LONG TERM CONTRACTS

Amounts due from customers for construction contracts which have not yet been invoiced are disclosed as Contract Assets and are stated at cost as defined above, plus attributable profit to the extent that this is reasonably certain after making provision for maintenance costs, less any losses incurred or foreseen in bringing contracts to completion, and less amounts received as progress payments.

For any contracts where receipts exceed the book value of work done, the excess is included in trade and other payables as payments on account.

INCOME TAX

The charge for current UK corporation tax is based on results for the year as adjusted for items that are non-assessable or disallowed and any adjustments for tax payable in respect of previous years. It is calculated using rates that have been enacted or substantially enacted at the Balance Sheet date.

DEFERRED TAXATION

Deferred tax is provided using the liability method in respect of temporary differences between the carrying value of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax is provided on all temporary differences.

Deferred tax is determined using tax rates that have been enacted or substantially enacted by the Balance Sheet date and are expected to apply when the deferred tax asset is realised or the deferred tax liability is settled. It is recognised in the Statement of Comprehensive Income except when it relates to items credited or charged directly to Equity, in which case the deferred tax is also dealt with in Equity.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

PENSIONS

The Company operates a defined contribution Group Personal Pension Plan for eligible employees. The plan is externally administered and professionally managed. Contributions payable are expensed to the Statement of Comprehensive Income as incurred.

The Company is a member of a multi-employer defined benefit scheme. As a multi-employer scheme it is not possible, in the normal course of events, to identify on a consistent and reasonable basis, the share of underlying assets and liabilities belonging to individual participating employers. Therefore, as required by IAS19 (amended): Employee Benefits, the Company accounts for this scheme as if it was a defined contribution scheme. Contributions payable are expensed to the Statement of Comprehensive Income as incurred.

GOVERNMENT GRANTS AND ASSISTANCE

Government assistance provided under the UK Government's Job Retention Scheme for payroll costs for employees placed on furlough due to the coronavirus pandemic has been accounted for directly to the Income Statement on a received basis. The amount received has been disclosed within payroll costs.

1. ACCOUNTING POLICIES AND ESTIMATION TECHNIQUES (continued)

REVENUE

IFRS 15: Revenue from Contracts with Customers establishes a five step model to determine the amount and timing of revenue recognition.

Revenue is recognised by the Company from long term construction contracts.

Revenue from long term construction contracts is based on the stage of completion of the contract at the balance sheet date. The stage of completion is based on valuations agreed with third party surveyors. Invoices are raised to customers based on these agreed valuations. The Company uses the input method to recognise revenue where it is recognised over time. Prior to raising invoices, the Company will recognise a contract asset for work performed, only when the invoice is raised will the contract asset be reclassified to trade receivables. When it is probable that the total costs of construction will exceed the total contract revenue, the expected loss is recognised immediately in the Income Statement. When it is probable that total revenue will exceed the total costs of construction the anticipated profit will only be accounted for when the profit is reasonably certain. This policy requires judgement to be made on the anticipated costs to complete and the Company has in place procedures to ensure that the evaluation of the total costs of the contract and its revenues is based on reliable estimates.

Construction contracts consist of one performance obligation. Modification to contracts are assessed on a case by case basis but are generally modifications of the existing performance obligation and are therefore accounted for under the existing obligation.

The Company has no obligations for returns or warranties.

All revenue is stated net of Value Added Tax.

All invoices raised are due for payment no later than 30 days from date of invoice, therefore the Company does not adjust transaction prices for the time value of money.

FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised on the Statement of Financial Position when the Company becomes a party to the contractual provision of the instrument. The principal treasury objective is to provide sufficient liquidity to meet operational cash requirements. The Company operates controlled treasury policies which are monitored by the Board to ensure that the needs of the Company are met as they arise.

TRADE AND OTHER RECEIVABLES

Trade and other receivables are recognised at invoiced value less provisions for impairment. A provision for impairment of trade receivables is established where there is objective evidence that the Company will not be able to collect all amounts due according to the terms of the receivables concerned.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash in hand, deposits with banks and other short term, highly liquid investments with original maturities of three months or less. For the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

TRADE AND OTHER PAYABLES

Trade and other payables are non-interest bearing and are recognised at invoiced amount.

2. REVENUE

The Company derives its revenue from contracts with customers for the transfer of goods over time in relation to construction contracts.

Construction contracts are only for plumbing services and therefore there is no disaggregation of revenue disclosure required.

As at 31st July 2020 and 31st July 2019 there was no unsatisfied performance obligations and therefore there is no disclosure required for amount of transaction price allocated to unsatisfied performance obligations at 31st July 2020 or 31st July 2019.

3. STAFF COSTS AND DIRECTOR'S REMUNERATION

	2020	2019
	£	£
Staff costs during the year amounted to:		
Wages, salaries and short term benefits	334,152	299,180
Government assistance – HMRC Job Retention Scheme	(41,202)	–
Social security costs	37,587	33,223
Post-employment benefits	30,057	25,474
	<u>360,594</u>	<u>357,877</u>

The average weekly number of employees during the year was made up as follows:

	No.	No.
Construction and related services	7	6
Office and management	1	1
	<u>8</u>	<u>7</u>

No remuneration was paid to the Directors of this Company in this or the previous year.

All Directors' Remuneration is borne by the Parent Company and recharged based on an estimate of time spent on the affairs of the Company.

Key management comprises solely of the Directors of the Company.

4. LOSS BEFORE TAX

	2020	2019
	£	£
This is stated after charging/(crediting):		
Staff costs (per note 3)	360,594	357,877
Depreciation of owned assets	6,307	9,461
Profit on disposal of property, plant and equipment	–	(28)
Auditor remuneration and expenses	6,700	6,700
	<u>6,700</u>	<u>6,700</u>

5. TAXATION

UK Corporation Tax		
Current tax on loss for the year	(44,695)	(32,550)
Corporation tax over provided in previous years	(3,647)	(210)
	<u>(48,342)</u>	<u>(32,760)</u>
Deferred taxation (note 13)	1,638	(82)
	<u>(46,704)</u>	<u>(32,842)</u>
Current Tax Reconciliation		
Loss on ordinary activities before tax	(242,814)	(174,598)
Current tax at 19.00% (2019, 19.00%)	(46,135)	(33,174)
Effects of:		
Expenses not deductible for tax purposes	–	321
Effect of changes in tax rate	103	(9)
Adjustments to corporation tax charge in respect of prior years	(3,647)	(210)
Adjustments to deferred tax charge in respect of prior years	2,975	230
	<u>(46,704)</u>	<u>(32,842)</u>

The Finance Act 2020, which received Royal Assent on 22nd July 2020, states that the corporation tax rate for the financial year commencing 1st April 2020 is 19%.

The effective corporation tax rate is 19.00% (2019, 19.00%) being the average rate applicable over the period. Deferred tax provisions have been calculated using the 19% rate.

6. PROPERTY, PLANT AND EQUIPMENT

	Plant, equipment and vehicles £
Cost:	
At 1st August 2019 and 31st July 2020	<u>37,168</u>
Depreciation:	
At 1st August 2019	18,247
Provided during year	<u>6,307</u>
At 31st July 2020	<u>24,554</u>
Net book value:	
At 31st July 2020	<u>12,614</u>

	Plant, equipment and vehicles £
Cost:	
At 1st August 2018	31,187
Additions	21,352
Disposals	<u>(15,371)</u>
At 31st July 2019	<u>37,168</u>
Depreciation:	
At 1st August 2018	22,133
Provided during year	9,461
On disposals	<u>(13,347)</u>
At 31st July 2019	<u>18,247</u>
Net book value:	
At 31st July 2019	<u>18,921</u>

7. INVENTORIES

	2020	2019
	£	£
Raw materials and consumables	<u>41,728</u>	<u>44,588</u>

CONTRACTS IN PROGRESS AT THE BALANCE SHEET DATE:

Aggregate amounts of costs incurred and recognised profits		
less recognised losses to date	894,374	599,610
Retentions outstanding	28,435	18,954
Advances received	(864,605)	(579,186)
Net value of contracts in progress	<u>58,204</u>	<u>39,378</u>

8. CONTRACT ASSETS

The timing of revenue recognition results in amounts due from customers for construction contracts, those which have not yet been invoiced are disclosed as Contract Assets and once invoiced they are disclosed as Trade Receivables (note 9). The Company does not receive deposits or payments in advance for contracts and therefore has no Contract Liabilities to disclose. The Company did not incur costs to obtain contracts.

Contract assets	<u>58,204</u>	<u>39,378</u>
As at 1st August 2019	39,378	40,241
Transfers from contract assets recognised at the beginning of the year to trade receivables	(39,378)	(40,241)
Increase related to services provided in the year	<u>58,204</u>	<u>39,378</u>
As at 31st July 2020	<u>58,204</u>	<u>39,378</u>

9. TRADE AND OTHER RECEIVABLES

Trade receivables	–	188
Amounts owed by Group Companies	73,536	11,877
VAT recoverable	6,327	–
Other debtors	10,689	7,680
Prepayments and accrued income	4,471	4,421
	<u>95,023</u>	<u>24,166</u>

Trade receivables are shown net of provision for doubtful debts of £nil (2019, £nil).

The ageing of past due but not impaired trade receivables is as follows:

Less than 30 days	–	30
30 to 60 days	–	158
Greater than 60 days	–	–
	<u>–</u>	<u>188</u>

The Directors consider that the carrying amount of trade and other receivables approximates to their fair value.

10. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise the following:

	2020 £	2019 £
Cash at bank and on hand	<u>34</u>	<u>307,434</u>

The bank has been granted guarantees and letters of offset by each member of the Group in favour of the bank on account of all other members of the Group as a continuing security for all monies, obligations and liabilities owing or incurred to the bank.

11. TRADE AND OTHER PAYABLES

Trade payables	53,323	29,128
Amounts owed to Group Companies	–	82,976
Other taxes and social security costs	10,929	7,713
Other creditors and accruals	34,251	34,311
	<u>98,503</u>	<u>154,128</u>

12. FINANCIAL INSTRUMENTS

The Company's financial instruments comprise bank balances and cash, trade and other receivables and trade and other payables. The amounts presented in relation to trade receivables are net of allowances for doubtful receivables.

There is no significant impairment loss recognised or significant receivables that are past due but not impaired.

The carrying amount of these assets approximates to their fair value.

Credit risk

In relation to the Company's financial assets, the Company has no significant concentration of credit risk, as exposure is to Group undertakings.

13. DEFERRED TAXATION

Deferred Tax Assets

	Other Timing Differences £
At 1st August 2018	2,017
Credited to Statement of Comprehensive Income	82
At 31st July 2019	<u>2,099</u>
Charged to Statement of Comprehensive Income	(1,638)
At 31st July 2020	<u>461</u>

14. SHARE CAPITAL

	2020 £	2019 £
Allotted called up and fully paid 1,000 (2019, 1,000) ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>

All shareholders of ordinary shares have a right to receive dividends paid by the Company in accordance with their shareholding. Each shareholder has the right to attend and vote at a General Meeting, each share attracts one vote. There are no restrictions on the distribution of dividends or repayment of capital.

15. NOTES TO THE STATEMENT OF CASH FLOWS

(a) RECONCILIATION OF LOSS BEFORE TAX TO CASH FLOWS FROM OPERATING ACTIVITIES

Loss before tax	(242,814)	(174,598)
Depreciation	6,307	9,461
Profit on sale of property, plant and equipment	–	(28)
Change in inventories	2,860	(11,835)
Change in contract assets	(18,826)	863
Change in receivables	(70,857)	22,797
Change in payables	(55,625)	84,221
CASH FLOWS FROM OPERATING ACTIVITIES	<u>(378,955)</u>	<u>(69,119)</u>

(b) CASH AND CASH EQUIVALENTS FOR STATEMENT OF CASH FLOWS

Cash and cash equivalents	34	307,434
Bank overdraft	(35,358)	–
	<u>(35,324)</u>	<u>307,434</u>

(c) ANALYSIS OF NET FUNDS

	At 1st August 2019 £	Cash Flow £	At 31st July 2020 £
Cash and cash equivalents	307,434	(307,400)	34
Bank overdraft	–	(35,358)	(35,358)
	<u>307,434</u>	<u>(342,758)</u>	<u>(35,324)</u>

16. FUTURE CAPITAL EXPENDITURE

There were no amounts of Capital Expenditure relating to Property, plant and equipment contracted for at 31st July 2020 or 31st July 2019.

17. RETIREMENT BENEFITS OBLIGATIONS

DEFINED CONTRIBUTION SCHEMES

In the year to 31st July 2003 the Company commenced operation of a defined contribution Group Personal Pension Plan for eligible employees. The plan is externally administered and managed professionally by AEGON UK. The net contribution to the plan for the year was £15,572 (2019, £12,120) and are expensed through the Statement of Comprehensive Income as incurred.

MULTI-EMPLOYER SCHEME

The Company is also a member of the multi-employer pension scheme, Plumbing & Mechanical Services (UK) Industry Pension Scheme which closed to future benefit buildup effective 30th June 2019. The Company makes contributions to this scheme which in the year amounted to £13,252 (2019, £14,308) and are expensed through the Statement of Comprehensive Income as incurred.

No provision has been made for amounts payable by the Company in respect of Section 75 pension liabilities relating to the Company's participation in this scheme given that, as at the date of these financial statements, any potential liability has not yet been assessed.

18. RELATED PARTY TRANSACTIONS

(a) GROUP COMPANIES

Transactions between the Company and its fellow Group Companies are as follows:

	2020 £	2019 £	2020 £	2019 £
	Sale of goods and services		Purchase of goods and services	
GROUP COMPANY				
J Smart & Co (Contractors) PLC	457,132	488,528	124,677	126,053
Cramond Real Estate Company Limited	–	–	–	–
Thomas Menzies (Builders) Limited	–	–	–	–
Concrete Products (Kirkcaldy) Limited	531	242	–	–
C & W Assets Limited	26,098	43,310	–	–
Smart Serviced Offices Limited	965	3,797	–	–

	Amounts owed by fellow Group Company	Amounts owed to fellow Group Company
GROUP COMPANY		
J Smart & Co (Contractors) PLC	26,723	–
Cramond Real Estate Company Limited	–	–
Thomas Menzies (Builders) Limited	–	188
Concrete Products (Kirkcaldy) Limited	–	–
C & W Assets Limited	46,461	11,689
Smart Serviced Offices Limited	352	–

The Company is also owed £58,204 (2019, £39,378) from J Smart & Co (Contractors) PLC in respect of amounts recoverable on long term contracts, which are disclosed as Contract Assets.

The amounts outstanding are unsecured and will be settled for cash. No expense has been recognised in the year for bad or doubtful debts in respect of the amounts owed by Group Companies.

18. RELATED PARTY TRANSACTIONS (continued)

(b) DIRECTOR'S REMUNERATION

No Directors' remuneration is paid by this Company.

(c) PENSION SCHEMES

Disclosures in relation to the pension schemes are included in note 17 to the Accounts.

19. ULTIMATE PARENT COMPANY

J Smart & Co (Contractors) PLC, registered in Scotland is regarded by the Directors as being the Company's ultimate Parent Company. Group accounts are available from the Parent Company's registered office at 28 Cramond Road South, Edinburgh, EH4 6AB.